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To be re

## The New York Post Features Diomed Inc. & Former Prime Minister Joins Company

When the **SmallCap Digest** profiled **Diomed Inc (DIO)** on February 22 we company was special. This clinical solutions company reversed merged with company onto the OTC Bulletin Board and consequently moved to the **Amer Exchange** within a week. This type of transaction has been unheard of until Diomed is featured in the business section of the **NY Post**. The world is beginning to pay attention to this company and rightly so. [Click here](#) to view the Post article

In addition to the **NY Post** article Diomed announced today that **Kim Campbell** prime minister of Canada, has been named to its board of directors.

This is a great way to start off the week for those subscribers that already own. The **SmallCap Digest** feels that Diomed should be accumulated up to **\$8 per share** over the course of this year has the potential to reach **\$12**. This would represent a **potential gain of 90%** from Friday's close of **\$6.30 per share**. For those who missed the original profile on Diomed, you may view it by [clicking here](#).

With any investment there is always risk. This holds true especially when in biotech. However, with that being said, investors should also realize that Diomed has significant revenues and expects to reach profitability in this fiscal year. The company's business model is not centered on burning cash for FDA approval. The company has entered into partnerships with the four largest **photodynamic (PDT)** drug companies.

Companies such as **QLT Inc (QLTI)**, **Pharmacyclics (PCYC)**, **DUSA Pharmaceuticals (DUSA)**, and **Axcan Pharmaceuticals (AXCA)** spend millions of dollars to get drugs approved. Upon approval, Diomed generates revenue by supplying them with lasers and fibers that are used in the PDT treatment process. Although the makers that ultimately receive FDA approvals benefit the most there is significant risk in owning these companies. **Diomed** is the "**picks and shovels**" supply industry.



Will the drug makers strive to get more drugs approved? Yes they will and € approval could mean millions of dollars in revenue for Diomed. The growth is important to the future of Diomed but there is another component to the cor even more exciting. Diomed is also the first company to receive FDA approval for the treatment of varicose veins. The company's revolutionary procedure has been on **Good Morning America** and the **New York Times**.

Varicose veins adversely affect the appearance of the legs of 25% of women. This simple, relative painless solution has a 98% success rate and requires 4 complete treatments. Women and men worldwide who have been plagued by varicose veins now have a reasonable solution to their problem. The potential for this treatment runs into the hundreds of millions of dollars.

Below is today's press release in full:

**Monday March 4, 8:56 am Eastern Time**

**Press Release**

*SOURCE: Diomed, Inc.*

**Former Canadian Prime Minister Named New Diomed Board Member**

ANDOVER, Mass., March 4 /PRNewswire-FirstCall/ -- Diomed, Inc. (Amex: DIOMED), a provider of clinical modalities used in minimal and micro-invasive medical procedures, announced today that Kim Campbell, former prime minister of Canada, has been named to the board of directors.

Ms. Campbell served as Canada's 19th and first female Prime Minister in 1993. She was also minister of justice, attorney general, and minister of national defense. In 2000, she served a four-year term as Consul General of Canada, in which she fostered trade in the biotechnology industries. Today she is a Visiting Professor of Practice at the John F. Kennedy School of Government at Harvard University.

"We are very pleased to enlist Ms. Campbell's skills and expertise on our board," commented James Arkoosh, Diomed Chairman of the Board. "Indeed, her range of experience will strengthen and diversify the board."

Kim Campbell noted, "I am extremely enthusiastic about this opportunity. Diomed is an innovative company with vast potential. I am confident I can bring a unique perspective to Diomed's board, and contribute to the company's ongoing success."

Ms. Campbell currently holds a range of prestigious positions, including Senior

Gorbachev Foundation of North America in Boston, and member of the International Society of New York. Her best selling political memoir, *Time and Chance*, published in 1996. Ms. Campbell was educated at the University of British Columbia (B.A., 1969, LL.B., 1983) and the London School of Economics (Doctoral studies in Social Government, ABD, 1970-73).

"With an increasingly robust board of directors, our recent merger with a public company, and several important FDA clearances, Diomed is poised for continued growth using proprietary laser technologies," commented Diomed CEO Peter Klein.

Diomed provides clinical modalities and specializes in the development and distribution of equipment and disposable items used in minimal and micro-invasive medical procedures. In developing and marketing its innovative clinical solutions, it uses proprietary technology to aim to secure strong commercial advantages over its competitors by gaining government approvals in advance of others and through exclusive commercial arrangements in the rapidly growing minimal and micro-invasive medical procedure industry, to integrate disposables into its product lines. Diomed holds proprietary technology methods of synchronizing diode light sources and in certain optical fibers. Diomed's photodynamic therapy (PDT) for use in cancer treatments, EndoVenous Laser Therapy (EVLT(TM)) for use in varicose vein treatments, and on dental and general surgical applications.

For more information about Diomed, Inc., please visit [www.diomed.com](http://www.diomed.com)

For More Information:

Contact: Investor Relations  
Phone Number: +01 866-4DIOMED (434-6633)  
Fax Number: +01 978-475-8488  
E-mail: [Lbruneau@diomed-lasers.com](mailto:Lbruneau@diomed-lasers.com)  
Mailing Address: Diomed, Inc.  
One Dundee Park  
Andover, MA 01810  
USA

*SOURCE: Diomed, Inc.*

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6:08 pm EST, Wed., February 27, 2004

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VOLUME 02: ISSUE 1

## Diomed Begins Marketing First Laser System to Treat Both Varicose Veins (EVLT(TM)) and Spider Veins:

Just after the market closed today Diomed came out with an unexpected news release. The announcement is in regards to the release of the first laser system on the market which treats both large varicose veins and the small, unsightly spider veins.

This condition affects an estimated 25% of women world wide. The cosmetic market for this product is estimated in the \$400 million to \$1 billion range.

Today's announcement expands Diomed's product line, and makes it the first company to market this dual purpose device.

Here is the complete text of the press release for your review:

Wednesday February 27, 5:19 pm Eastern Time

### Press Release

SOURCE: Diomed, Inc.

## Diomed Begins Marketing First Laser System to Treat Both Varicose Veins (EVLT(TM)) and Spider Veins



ANDOVER, Mass., Feb. 27 /PRNewswire-FirstCall/ -- Diomed, Inc. (Amex: DIO - news), a provider of clinical modalities used in minimal and micro-invasive medical procedures, announced today it has released the first FDA-cleared, combined laser system that treats vascular lesions (including "spider veins") and varicose veins.

Diomed announced earlier this year it had gained FDA clearance to market EVLT(TM) (EndoVenous Laser Treatment), the first minimally-invasive, laser-based varicose vein treatment available in the US that effectively and safely eliminates varicose veins without hospitalization, general anesthesia, or the risks associated with open surgical procedures. Having also gained FDA clearance for the D15plus and D30plus laser systems and handpieces, the company is now the first to offer one versatile laser system that can be used for multiple vascular applications - EVLT and the treatment of spider veins.

"This is important news for practitioners offering vascular treatments, and for their patients," commented Steven E. Zimmet, MD, Officer of the American College of Phlebology. "A single laser system that can be used for both varicose and spider vein treatments should make the procedures more accessible to more patients."

Wade Fox, Diomed Vice-President of Sales and Marketing said, "With EVLT, we were the first to offer a laser-based minimally-invasive treatment to eliminate varicose veins. Now we're pleased to be the first to offer a laser system that can be used both for EVLT and for vascular lesions."

The Diomed D15plus and D30plus laser systems are now available on the market. Please visit [www.diomedinc.com](http://www.diomedinc.com) for more information.

Diomed provides clinical modalities and specializes in the development and distribution of equipment and

disposable items used in minimal and micro- invasive medical procedures. In developing and marketing its innovative clinical solutions, it uses proprietary technology and aims to secure strong commercial advantages over its competitors by gaining governmental approvals in advance of others and through exclusive commercial arrangements. To participate in the rapidly growing minimal and micro-invasive medical procedure industry, Diomed seeks to integrate disposables into its product lines. Diomed holds proprietary technology in certain methods of synchronizing diode light sources and in certain optical fibers. Diomed focuses on photodynamic therapy (PDT) for use in cancer treatments, EndoVenous Laser Treatment (EVL(TM)) for use in varicose vein treatments, and on dental and general surgical applications.

For more information about Diomed, Inc., please visit [www.diomedinc.com](http://www.diomedinc.com).

*SOURCE: Diomed, Inc.*

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
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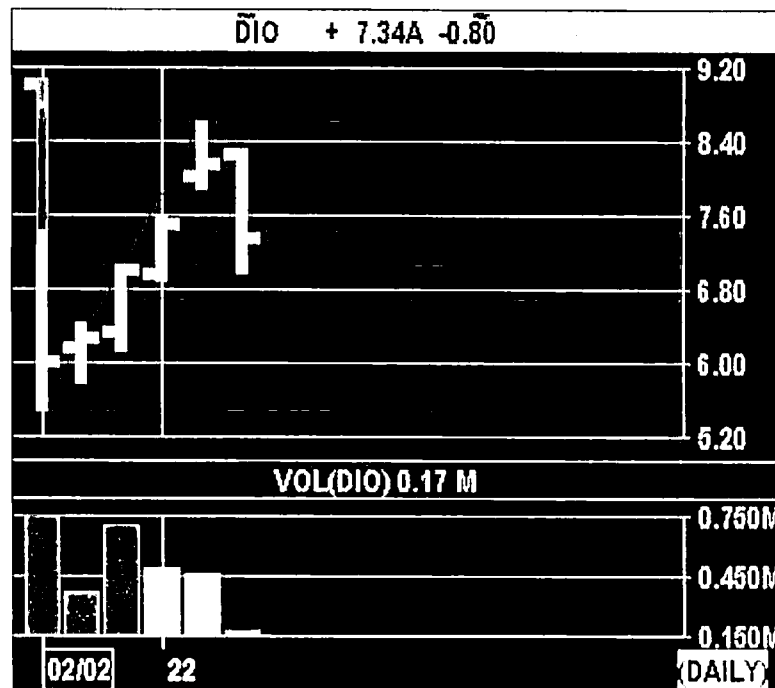
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VOLUME 02: ISSUE 1



### "Diomed In The Rough"



We are very excited about our most recent profile. Medical device maker **Diomed (DIO)** is a "picks & shovels" company in the photodynamic therapy industry also referred as PDT. The company supplies lasers and fiber optics to PDT companies which in turn use them in

conjunction with their drugs to treat patients for cancer.

Just this past week the **Wall Street Journal** featured an article on PDT:

In the article, which you can view by [clicking here](#), it states:

*"Another promising area of treatment involves so-called photodynamic therapy, or PDT. Some light-sensitive drugs, many from a chemical class known as the porphyrins, are naturally drawn into rapidly dividing tumor cells. **Laser light** of a particular frequency can trigger a sequence of*

*chemical events involving the drugs in those cells that kills tumors while leaving most healthy tissue unharmed. **Fiber-optic lines** can deliver laser light to internal tumors via endoscope.*

*While such therapy for cancer is close to a decade old and has been approved in the U.S. for esophageal and lung cancers, it is only now attracting wider attention. One reason is that conservative doctors have been slow to adopt "hybrid" treatments that involve both drugs and medical devices.*

*In addition, the first PDT practitioners hadn't yet worked out ways of delivering exactly the right "dose" of laser light to tumors, says Kenton Gregory, director of the Oregon Medical Laser Center in Portland, which is studying the use of PDT to treat prostate and breast cancer. Once light dosage is optimized, "you have a beautiful therapy," he says. "Unlike radiation, you can use it over and over," without damaging the patient."*

Investors that do not read the **SmallCap Digest** have no idea that Diomed is a supplier of the laser light and fiber-optic lines that are mentioned in the **Wall Street Journal**.

The four big PDT drug companies are currently **QLT Inc (QLTI)**, **Pharmacyclics (PCYC)**, **Axcan Pharmaceuticals (AXCA)**, and **DUSA Pharmaceuticals (DUSA)**. Between the four companies, there are scores of drugs and applications that will be making its way through the FDA process. This doesn't even account for the large drug makers that will eventually enter the PDT industry by developing their own drugs or just buying out one of the incumbents. Diomed is partnered with all four of these companies. Each new PDT drug that is developed and approved increases the demand for Diomed's lasers and fibers.

Just last week **Axcan** reported better than expected earnings. According to a report issued by **J.P. Morgan**, **Axcan** will be filing a **new drug application** also known as an **NDA** with the **FDA** for the use of Photofrin in the treatment of **Barrett's Esophagus**. The application is estimated to be filed in March of 2002. Photofrin is already FDA approved for other treatments, thus Barrett's Esophagus will experience a shorter FDA process. FDA approvals expected in Sept. of 2002. What this means is that in quarters 3 and 4 of 2002 Diomed should expect to have substantial upside to revenue estimates from PDT.

Remember that each new drug approval means more money to Diomed's bottom line. The best part is that the drug makers are spending all the money for the FDA approval process while Diomed sits back and waits without having to spend any money. It is an incredible position for a company to be in.

PDT is an exciting industry but investors in Diomed should realize that the company is also the first to receive FDA approval for **EVLT (treatment of varicose veins)**. Diomed is no one trick pony.

By being both a leader in the PDT industry as well as EVLT, Diomed is in a unique position where it is diversified across two very different areas within the sector. This is a rarity amongst biotech companies and the beneficiaries are the shareholders. The company's unique business model offers shareholders substantial protection from the risks normally associated with owning biotech stocks. Unlike the "approval or bust" companies that place their entire future on the hopes of one drug, Diomed is focused on maximizing revenues and earnings from its partners.

The stock closed today at **\$7.30** which is up 5% from when we profiled the company. It has pulled back from the **\$8.50** level which is a great opportunity for investors who were waiting for a nice entry point. We feel that Diomed should be accumulated up to **\$8 per share** and over the course of this year has the potential to reach **\$12**.

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VOLUME 02: ISSUE 2

## Diomed In The Spotlight

This has most certainly been an interesting week for Diomed (DIO). For Diomed investors, it started off with some egg in the face. A very **nasty article** in the **NY Post** written by **Christopher Byron** came just a bit short of deeming the company a fraud. The fact that Mr. Byron wrote about Diomed is not surprising because in the previous week Diomed was featured by another columnist. What is a concern to the **SmallCap Digest** is some inaccuracies and misleading information offered by Mr. Byron, who is one of the best business journalists out there.

If the goal of the article was to drive the stock price down then it certainly was effective to the tune of **20%**. Criticism is certainly something all public companies deal with on a daily basis. However, a very poorly researched article from one of America's best business writers boggles the mind.

Let's look at some what Mr. Byron wrote:

*Exactly what this Massachusetts-based biotech company does is hard to say, except perhaps, if one reads the financials, that it seems to involve the sale of "clinical modalities in micro-invasive medical procedures."*

Readers that visit Diomed's **home page** can click the **about us** section and read the following "Diomed develops and markets powerful clinical solutions utilizing proprietary technology, erecting barriers to entry and integrating profitable disposables to participate in the rapidly growing minimal and micro-invasive medical procedure industry. These solutions include the innovative varicose vein treatment **Endo Venous Laser Treatment (EVLV)** recently featured on "Good Morning America",



cancer and pre-cancer treatments using **Photo Dynamic Therapy (PDT)**, as well as other minimally invasive clinical solutions."

*The company's financials also inform us that DioMed's auditor is the Arthur Andersen accounting firm of Enron fame.*

Anderson's work with Enron has led to the firm's demise. Still, thousands of companies use their services and will continue to do so. This past weekend there are numerous reports that **KPMG** and **Deloitte & Touche** are looking to buy out Anderson. Once this occurs, Diomed's auditors will switch to the acquirer. Suggesting that all of **Arthur Anderson's** clients are some how guilty of fraud is not only ludicrous but irresponsible.

*YET in spite of all that, DioMed's share price has actually soared 2,800 percent on the Amex - from 25 cents to more than \$7 - in just the last eight weeks, by far the greatest gain of any listed stock on Wall Street this year.*

This statement may be the most troubling of all. Diomed has not soared 2,800 percent this year. The stock known as Diomed first traded under the ticker DIMD for three days on the OTC Bulletin Board. Upon fulfilling the listing requirement of a minimum \$3 stock price, Diomed moved to the American Stock Exchange on February 22nd and opened for trading at **\$7.03 per share**. Since opening on the American Stock Exchange, Diomed has traded as low as **\$6.00** and as high as **\$9.00**.

SmallCap Digest subscribers may recall an **article on reverse mergers** that we published on January 16, 2000. Here is a quick definition, a reverse merger occurs when a public company which has no business and usually limited assets acquires a private company with a viable business. The Private company "Reverse Merges" into the already public company, which now becomes an entirely new operating entity and generally changes name to reflect the new merged company's business.

The original public company, commonly known as a Shell company, has value because of its publicly traded status. The shell company is generally recapitalized and issues shares to acquire the private company, giving shareholders and management of the private company majority control of the newly formed public company.

*THAT'S where DioMed comes in.*

*This company began life in 1998 as a Canadian penny stock, incorporated in Nevada under the name Natexco Corp., and supposedly in the business of providing advertising services to other itty-bitty companies like Natexco, which was run out of the founder's house in Vancouver.*

*As of last November, when Natexco filed its final quarterly financial statement before morphing into DioMed, the company's balance sheet showed a grand total of \$64 in cash, \$10,298 of total assets, and \$2,357 of quarterly revenues.*

Perhaps, Mr. Byron is unfamiliar with reverse mergers because Diomed did not begin life as a Canadian penny stock. Having just an elementary understanding of reverse mergers would be enough for most investors to understand that Natexco is just a shell used by Diomed to obtain a public listing. This is exactly what **Muriel Siebert**, world renown as the first woman member of the New York Stock Exchange, did in 1996. She took her brokerage firm public by reverse merging with **J. Michaels, a defunct Brooklyn Furniture company**. So according to Byron's definition, **Siebert Financial (SIEB)** began life as a down on its luck furniture company.

*And I am also sure that a Mr. Ajmal Khan, who works the penny stock circuit under the moniker Verus International, has good and legitimate reasons for holding 4.4 million shares of DioMed in a Post Office box in the Cayman Islands, as appears to be the case through a footnote in a recent DioMed financial filing.*

The above excerpt implies that Verus International is in the penny stock business. Take a look at the **advisory board** for **Verus International** and you will notice the following people and some of their accomplishments:



- **Jack L. Rivkin** : Executive Vice President of Citigroup Investments, Inc. and its predecessors since October 1995. He was Vice Chairman and Director of Global Research at Smith Barney, Director of the Equities Division and Director of Research at Lehman Brothers. President of Paine Webber Capital, Inc., the merchant banking arm of Paine Webber Group.
- **Strauss Zelnick** is the former President and Chief Executive Officer of BMG Entertainment, a \$4.6 billion music and entertainment company, and recently founded Zelnickmedia.
- **Jonathan Cohen**, former Director of Research at Wit Capital and currently founder and CEO of JHC Capital Management Inc. Former lead internet analyst at Merrill Lynch.
- **Robert (Bob) H. Lessin** is Chairman and former CEO of Wit SoundView Group, Inc., the largest online investment-banking group focused exclusively on the Internet and technology.
- **Peter Norris** former CEO of Barings.

This distinguished group of advisors is respected on Wall Street and financial circles around the globe. To suggest that they would be involved with an entity in the "penny stock circuit" is an insult of the highest degree. Perhaps Mr. Byron could label the underwriters that took **Webvan**, **eToys**, and **Pets.com** as boiler room outfits.

Ultimately, people will have different opinions on companies but there is a set of parameters from which to base assessments and they are called **FACTS**.

Here are some facts:

<b>PDT drug maker</b>	<u>Company Name</u>	<u>Treatments</u>	<u>Market (Per Year)</u>
are spending millions of dollars to get their drugs approved by the FDA. Diomed partner include	<b>DUSA Pharmaceuticals (DUSA)</b>	Acne	\$500 Million
		Actinic Keratoses	\$400 Million
		Bladder Cancer Detection	800k-900k Procedures
		Restenosis	\$1 Billion
		Brain Cancer	32,000 New Cases
		Barrett's Esophagus	\$350 Million
	<b>Pharmacyclics (PCYC)</b>	Brain Cancer	32,000 New Cases
		Prostate Cancer	180,000 New Cases
		Cervical Cancer	15,000 New Cases
		Breast Cancer	190,000 New Cases
	<b>Axcan Pharmaceuticals (AXCA)</b>	Lung Cancer	\$10 Billion
		Barrett's Esophagus	\$350 Million
	<b>QLT Inc (QLTI)</b>	Restenosis	\$1 Billion
		Skin Cancer	\$2.7 Billion

the biggest names in the industry such as **QLT Inc (QLTI)**, **Pharmacyclics (PCYC)**, **Axcan Pharmaceuticals (AXCA)**, and **DUSA Pharmaceuticals (DUSA)**. Each new drug approved by the FDA could mean millions in revenue for Diomed through the

sale of lasers and fibers.

- Diomed has **won approval from the US Food and Drug Administration** for its minimally-invasive treatment of varicose veins. This procedure has been featured on **Good Morning America** and **The NY Times**.

Ultimately, the question remains if Diomed will be able to execute its business. Only time will tell but the **SmallCap Digest** feels that the company will be able to perform.

It is imperative that investors conduct proper due diligence on any company before investing. The same could be said for writers before they decide to publish an article.

**For additional facts on Diomed click here.**

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
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